

December 19, 2005

Mary L. Cottrell, Secretary ,
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

RE: D.T.E. 05-84

Dear Secretary Cottrell:

Massachusetts Electric Company d/b/a National Grid (“National Grid”) hereby responds to the Department’s request for comments on the proposal by Boston Edison Company, Cambridge Electric Light Company and Commonwealth Electric Company, d/b/a NSTAR Electric (“NSTAR”) to change its Terms and Conditions for Distribution Services and Competitive Suppliers to restrict customers from switching on and off Default Service multiple times within a short period, in an effort to take advantage of price fluctuations in the retail generation market (i.e. “gaming”). National Grid supports NSTAR’s proposal, and appreciates this opportunity to provide these comments.

Customer Parking

In support of its filing, NSTAR provided data showing that several competitive suppliers frequently “park” customers on Default Service for brief periods of time. National Grid has similar experience. Since January 1, 2003, there have been 664 events where a customer has switched from its competitive supplier to Default Service and then back to the same competitive supplier. Sorted by supplier, the number of events and the average number of days that the customers remained on Default Service during those switches are as follows:

Supplier	Number of Events	Number of Days on Default Service During Switch
1	460	97
2	114	86
3	46	60
4	24	215
5	7	269
6	7	126
7	4	153

As this data shows, there are a few competitive suppliers that have “parked” customers on Default Service quite frequently over the last three years.

National Grid would also support an exception to the proposed rule that would allow a customer to switch back to the supplier it recently dropped from if the drop was due to the scheduled expiration of the original contract. However, at this time, the Massachusetts Electronic Business Transaction (“EBT”) standards do not provide for communication of the original contract end date and National Grid is unsure if changes to the EBT standards and its Customer Information System needed for such communication could be done in a timely and cost effective manner.

Fixed Price Option for Industrial Customers

National Grid believes additional steps should be considered to eliminate gaming of Default Service by competitive suppliers and customers. The elimination of the Fixed Price Option for Industrial (Rate G-2 and Rate G-3) customers is one such additional action, which National Grid supports.

Recently, National Grid has been approached by several customers seeking to be put on the fixed price option for Default Service on their January cycle read date and then switched back to their competitive supplier off-cycle on February 1. By switching to the fixed price option for Default Service in January, customers pay a lower rate than the variable rate in effect for January (fixed price option of 14.113¢/kWh vs. variable price option of 17.010¢/kWh in NEMA) while competitive suppliers can then deploy their energy supply by selling it to others in the short-term bilateral market or in the ISO-NE spot market. By switching back to their competitive supplier off-cycle on February 1, the customers avoid being on the fixed price option for the following three month period and only have to pay a “true-up” to the variable price for one day (February 1).

Cost Impact of Gaming

Such gaming by competitive suppliers and/or customers should not be allowed as it increases costs for other customers in two ways. First, the bid price of Default Service supply is increased as wholesale suppliers increase their bid prices to reflect the risk of this gaming during high cost months. Second, to the extent that this gaming occurs and the increased supply costs incurred by National Grid exceed the fixed price option billed to these customers, the resulting under recovery of costs will be reflected in National Grid’s annual Default Service reconciliation filing and the under recovery will be collected from all customers.

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Thank you for this opportunity to provide comments on this matter before the Department.

Very truly yours,

A handwritten signature in black ink, reading "Amy G. Rabinowitz". The signature is written in a cursive, flowing style.

Amy G. Rabinowitz